



Our Economy and The World

The Weekly Report

Issue: 294 Date: 30 October 2022

This week's issue of "Our Economy and the World" includes:

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 - BBC: UK tax and spending plan pushed back by two weeks, says Hunt
 - Reuters: U.S. goods trade deficit widens on weak exports; new home sales tumble
 - Bloomberg: Europe's inflation squeeze to linger even as gas prices drop
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- **Developments in Financial and Commodity Markets in the Past Week**
 - CNBC: U.S.-listed Chinese stocks drop 15% after Beijing's power reshuffle makes the market 'uninvestable'
 - Bloomberg: Global stocks mixed amid China gains, US tech woes: Markets wrap

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Key Global and Regional Developments over the Past Week

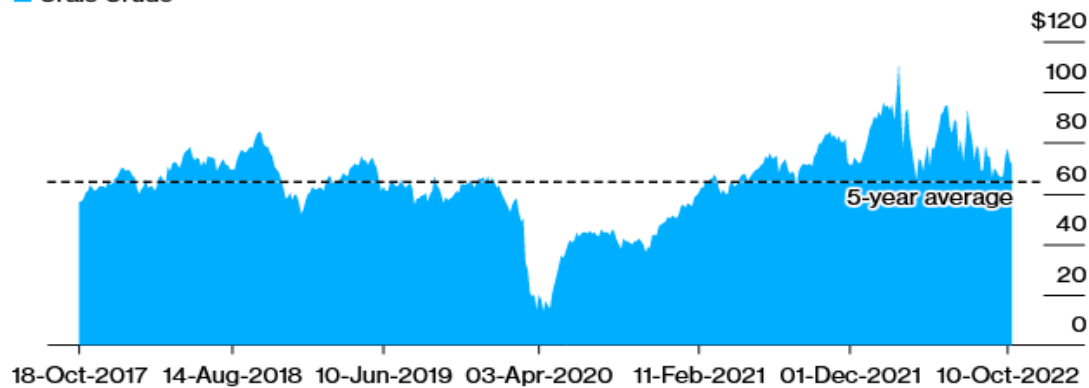
Bloomberg: Biden team reworks plan for Russia oil-price cap as markets sour

US officials have been forced to scale back a plan to impose a cap on Russian oil prices, following skepticism by investors and growing risk in financial markets brought on by crude volatility and central bank efforts to tame inflation. Instead of strangling the Kremlin's oil revenues by imposing a strict lid on prices that would have been observed by a broad "buyer's cartel" of nations, the US and European Union are likely to settle for a more loosely policed cap at a higher price than once envisioned, with just Group of Seven nations and Australia committed to abide by it, according to people familiar with the matter. South Korea has also privately told G-7 nations it plans to comply, the people said. G-7 officials seek to bring New Zealand and Norway on board as well. But it's clear that India and China -- Russia's most important trade partners -- will not participate, the people said.

Where Will the Cap Fall?

Urals' five-year average could point to eventual price-cap level for Russian Oil

■ Urals Crude



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BBC: UK tax and spending plan pushed back by two weeks, says Hunt

A much-anticipated plan on the UK's tax and spending has been delayed by more than two weeks. It was due on Monday, but Chancellor Jeremy Hunt said moving it to 17 November would mean it was based on the "most accurate" economic forecasts. Mr. Hunt had already scrapped his predecessor's plans for huge tax cuts. This had sparked market turmoil due to fears over how they would be paid for. The move settled investors and lessened the urgency for a new economic plan.

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Reuters: U.S. goods trade deficit widens on weak exports; new home sales tumble

The U.S. trade deficit in goods widened sharply in September, likely as a strong dollar and softening global demand weighed on exports, but that did not change expectations that trade led an anticipated rebound in economic growth in the third quarter. The report from the Commerce Department on Wednesday also showed moderate increases in wholesale and retail inventories last month, suggesting slowing domestic demand was forcing businesses to become more cautious about ordering more goods.

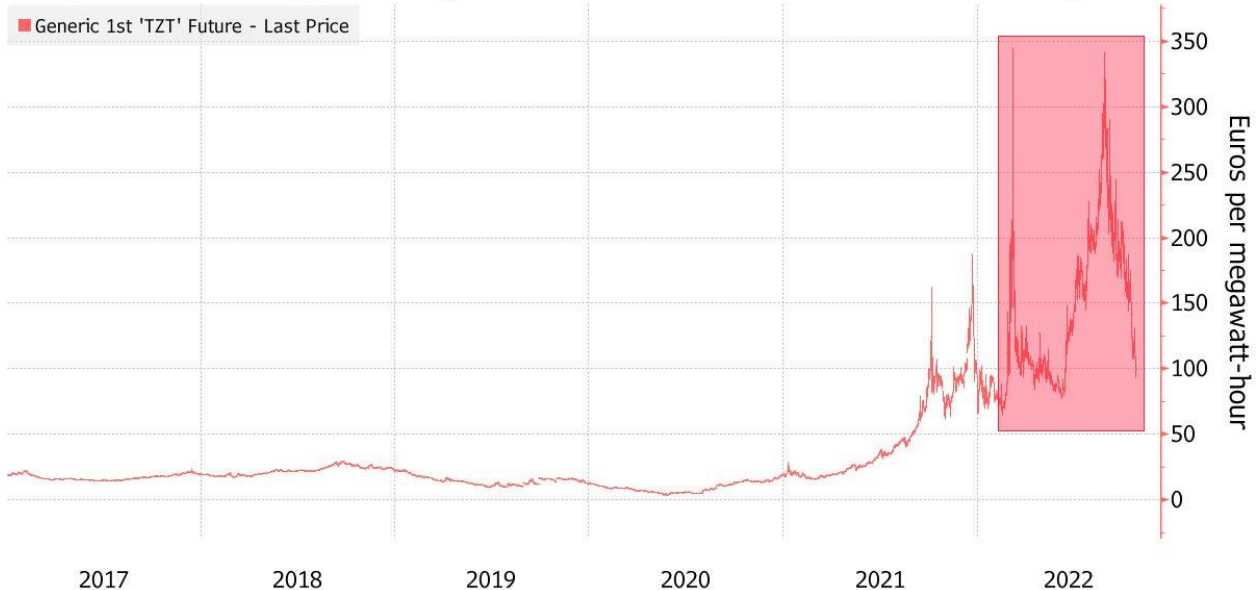
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Bloomberg: Europe's inflation squeeze to linger even as gas prices drop

European gas prices are plunging from the peaks reached over the summer, but businesses and households will have to wait for relief from the squeeze from soaring inflation. Benchmark futures dropped below €100 (\$99) per megawatt-hour this week for the first time since June, due to better-than-expected progress in filling storage facilities and mild weather. They extended losses Tuesday, dropping as much as 6.8% to €92.40, down from as high as €342 in late August. But the slow pass-through to energy bills, and broader price increases across a variety of goods and services, means pressure on incomes will continue. A European Commission study says changes in wholesale natural gas prices are typically only partially passed on to consumers, and can take up to 12 months to materialize. Plus gas prices are still about three times the average for the time of year.

Europe's Energy Squeeze

Gas prices have dropped back, but remain well above their recent average



Source: ICE-Endex

Bloomberg 

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Special Analysis

World Economic Forum: COP27: Why it matters and 5 key areas for action

- COP27 is the next meeting of the group of 198 countries that have signed the UN Framework Convention on Climate Change.
- The UN is urging the world's industrialized nations to 'lead by example' by taking 'bold and immediate actions'.

Five key issues to watch are nature, food, water, industry decarbonization and climate adaptation.

COP27 will be held in the Egyptian coastal city of Sharm El-Sheikh on 6-18 November. Every year, the different country from a different world region takes up the COP Presidency, to convene world leaders and define priorities. As an 'All of Africa' COP, the Egyptian COP27 Presidency has defined the summit's four key goals as:

- **Mitigation:** All parties, especially those in a position to "lead by example", are urged to take "bold and immediate actions" and to reduce emissions to limit global warming well below 2°C.
- **Adaptation:** Ensure that COP27 makes the "crucially needed progress" towards enhancing climate change resilience and assisting the world's most vulnerable communities.
- **Finance:** Make significant progress on climate finance, including the delivery of the promised \$100 billion per year to assist developing countries.
- **Collaboration:** As the UN negotiations are consensus-based, reaching agreement will require "inclusive and active participation from all stakeholders".

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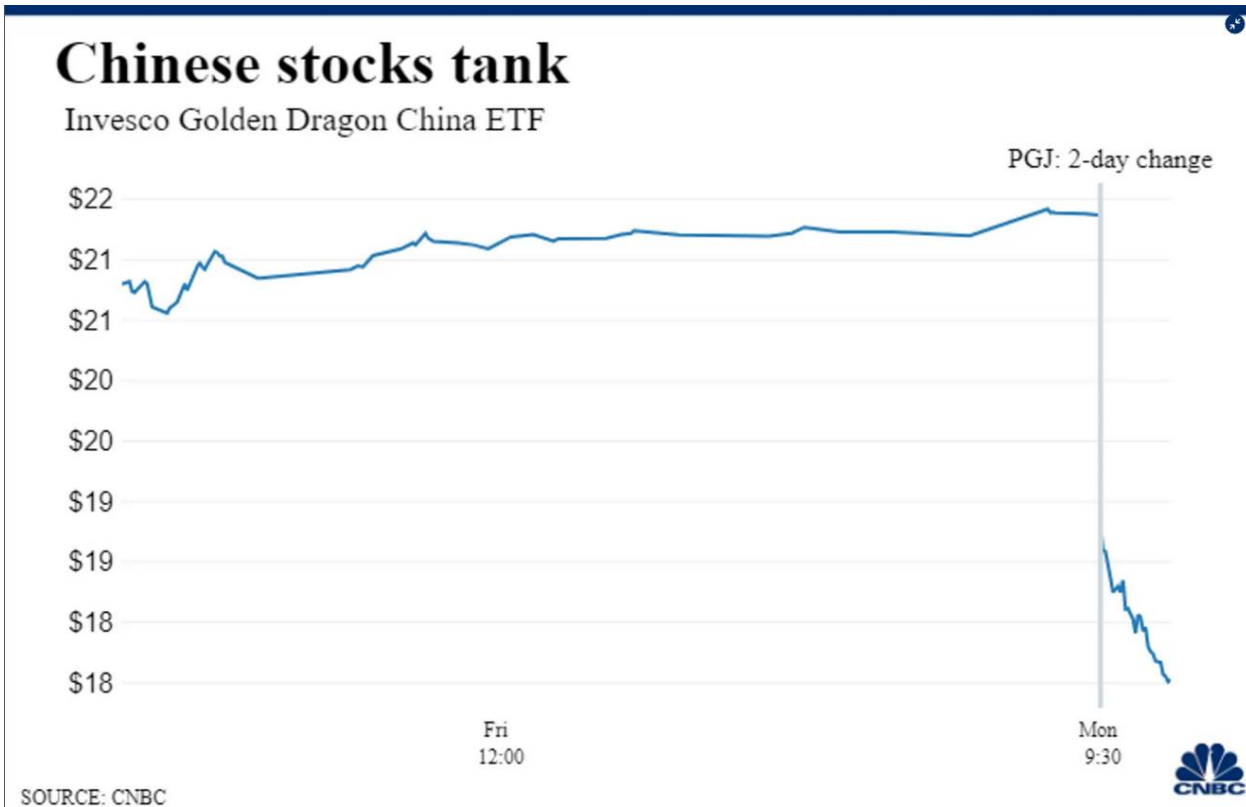
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Developments in Financial and Commodity Markets in the Past Week

CNBC: U.S.-listed Chinese stocks drop 15% after Beijing’s power reshuffle makes the market ‘uninvestable’

Shares of Chinese companies listed in the U.S. dropped sharply Monday after Beijing tightened President Xi Jinping’s grip on power, souring investor sentiment for non-state-driven companies. The Invesco Golden Dragon China ETF, which tracks the Nasdaq Goldman Dragon China Index, plunged 14.5% to hit its lowest level since 2009. The ETF slumped more than 20% at one point Monday. The index holds 65 companies whose common stocks are publicly traded in the U.S. and the majority of whose business is conducted within the People’s Republic of China.



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Bloomberg: Global stocks mixed amid China gains, US tech woes: Markets wrap

Global equity investors parsed mixed messages Thursday as Chinese shares looked set for further recovery while weak tech earnings dragged US stocks lower. Treasuries yields and the

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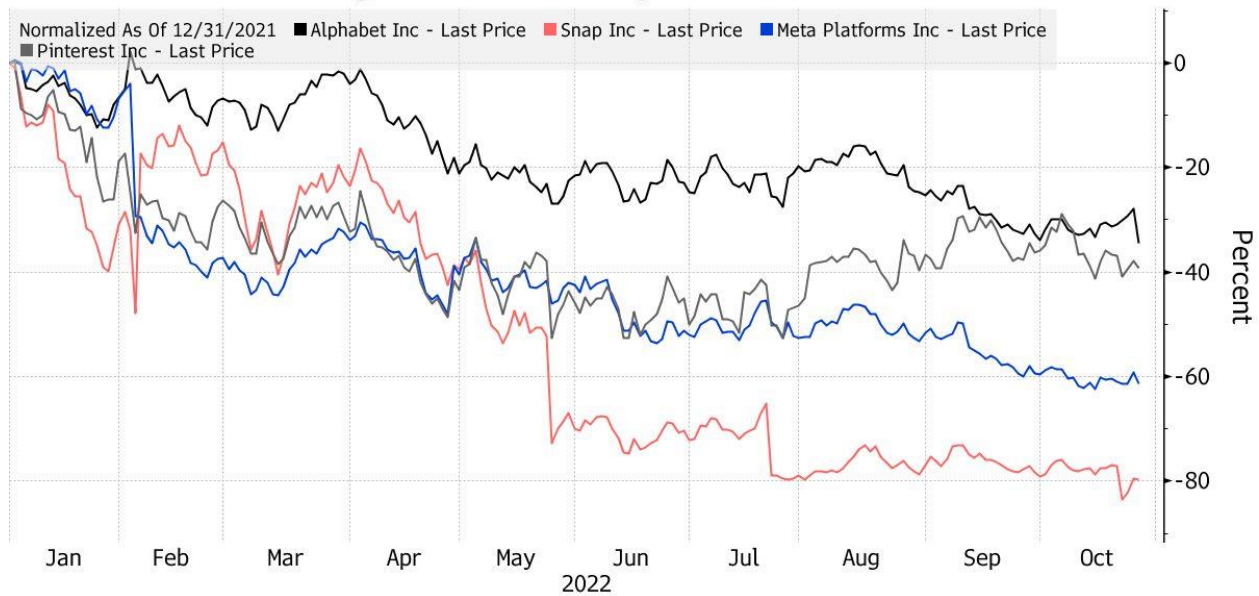
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dollar fell. US-listed Chinese stocks rallied and futures for Hong Kong equities indicated a second day of gains was likely Thursday following sharp losses after President Xi Jinping tightened his grip on the country over the weekend. Japanese futures were flat and Australian contracts rose. Amazon.com Inc, Microsoft Inc., Meta Platforms Inc. and Alphabet Inc. dragged the S&P 500 lower. Meta fell further in after-hours trading following third-quarter results.

Big Moves

Tech firms reliant on digital ads have slumped in 2022



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